Shared Revenue and Property Tax Relief

Direct Aid Payments

(LFB Budget Summary Document: Page 542)

LFB Summary Items for Which Issue Papers Have Been Prepared

Item #	Title
-	Direct Aid Payments -- Funding Level (Paper #740)
-	Minimum and Maximum Payment Provisions (Paper #741)
-	Payments for Municipal Services -- Garbage and Trash Disposal and Collection (Paper #742)
-	Payments for Municipal Services -- Agency Chargebacks (Paper #743)

Budget Memo

Agency: Shared Revenue (Direct Aid)

Staff Recommendations:

Paper No. 740: Alternative 2(f)

Comment: This is for property tax relief. We have the money now to fund an inflationary increase in shared revenue payments, so let's do it. (alt 2c should be a minimum increase (i.e. same as tech schools), but that's not enough to even cover inflation). For Milwaukee, this is the best pot of money to increase. You should go out of your way argue for this - it's part of your pro-urban agenda.

Alternative 3(c)

Comment: A 1.5% increase is probably enough here. Milwaukee would rather have money go to shared revenue that ERP.

Alternative 4(c)

Comment: 1.5% is enough here too.

Alternative 5(c)

Comment: 1.5% is enough here too. Chvala said there's no need to help out much here, but Milw. County wants some dough.

Alternative 6(c)

Comment: We think 1.5% is enough here, but Madison benefits from this, so Chvala suggested a larger increase.

Paper No. 741: Alternative 1

Comment: Let's spend some more money on shared revenue by changing this part of the formula. Curley said 1 or 2 are best for the City of Milwaukee, but Milw Cnty supports alt 6 - maintain current law. (The County wants time to "discuss and debate" the issue). **It would be beneficial to really understand this issue.**

Paper No. 742: Alternative 3

Comments: For Milwaukee alt 3 is probably best, but alt 2 might help garner some Dane County support.

Paper No. 743: Approve Modification to Bill

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Direct Aid Payments -- Funding Level (Shared Revenue -- Direct Aid Payments)

[LFB Summary: Page 542]

CURRENT LAW

Shared revenue payments for 1995 and thereafter are set at $761,478,000 for municipalities and $168,981,800 for counties. Expenditure restraint payments for 1995 and thereafter are set at $48,000,000. Small municipalities shared revenue (SCIP) payments for 1996 and thereafter are set at $10,000,000. County mandate relief payments for 1995 and thereafter are set at $20,159,000. The base funding level for payments for municipal services (PMS) is $16,828,800. All of these programs are funded with GPR appropriations.

GOVERNOR

Maintain the current funding level for all of these direct aid payments.

DISCUSSION POINTS

1. The 1997 payments under the shared revenue, expenditure restraint, small municipalities shared revenue and county mandate relief programs will be made from the corresponding appropriations for 1997-98. Any increases provided for these programs would first apply to the 1998 distributions, which will be funded in 1998-99. Any increases for the 1999 distribution would be funded in 1999-2000, the first year of the following biennium.

2. The 1997 payments under the PMS program will be made from the 1996-97 appropriation. Any increases in the distribution level for this program in 1998 or 1999 would be funded in 1997-98 or 1998-99, respectively.

3. Agencies with non-GPR appropriations are charged for the non-GPR portion of payments for municipal services provided to their facilities. These agency chargebacks are deposited in the general fund. Since the chargebacks typically equal about 45% of the PMS appropriation, any increases in this appropriation would be partially offset by increases in the chargebacks.

4. The last increase for these direct aid payments was provided in 1995. Under the bill, these payments would remain at the same level for another two years.

5. On April 30, the Committee approved a 1.5% annual increase in the funding level for general aid payments to technical college districts. A similar increase for these direct aid payments would require total funding of $252,400 GPR in 1997-98 and $15,637,900 GPR in 1998-99. Due to the payment schedules for increases in 1999 distributions, there would also be a need to provide an additional $15,356,200 beginning in the first year of the 1999-2001 biennium.

ALTERNATIVES TO BILL

1. Approve the Governor's recommendation to maintain the current funding level for the shared revenue, expenditure restraint, small municipalities shared revenue, county mandate relief and payments for municipal services programs.

2. Provide annual shared revenue increases for 1998 and 1999 at one of the following percentages. Set the municipal and county distributions and increase the shared revenue appropriation as shown below.

		Municipal Distribution		County Distribution		GPR Change to Bill	
		1998	1999	1998	1999	1997-98	1998-99
a.	0.5%	$765,285,400	$769,111,800	$169,826,700	$170,675,800	$0	$4,652,300
b.	1.0	769,092,800	776,783,700	170,671,600	172,378,300	0	9,304,600
c.	1.5	772,900,200	784,493,700	171,516,500	174,089,200	0	13,956,900
d.	2.0	776,707,600	792,241,800	172,361,400	175,808,600	0	18,609,200
e.	2.5	780,515,000	800,027,900	173,206,300	177,536,500	0	23,261,500
f.	3.0	784,322,300	807,852,000	174,051,300	179,272,800	0	27,913,800

3. Provide annual expenditure restraint increases for 1998 and 1999 at one of the following percentages. Set the municipal distribution and increase the expenditure restraint appropriation as shown below.

		Municipal Distribution		GPR Change to Bill	
		1998	1999	1997-98	1998-99
a.	0.5%	$48,240,000	$48,481,200	$0	$240,000
b.	1.0	48,480,000	48,964,800	0	480,000
c.	1.5	48,720,000	49,450,800	0	720,000
d.	2.0	48,960,000	49,939,200	0	960,000
e.	2.5	49,200,000	50,430,000	0	1,200,000
f.	3.0	49,440,000	50,923,200	0	1,440,000

4. Provide annual small municipalities shared revenue (SCIP) increases for 1998 and 1999 at one of the following percentages. Set the municipal distribution and increase the small municipalities shared revenue appropriation as shown below.

		Municipal Distribution		GPR Change to Bill	
		1998	1999	1997-98	1998-99
a.	0.5%	$10,050,000	$10,100,300	$0	$50,000
b.	1.0	10,100,000	10,201,000	0	100,000
c.	1.5	10,150,000	10,302,300	0	150,000
d.	2.0	10,200,000	10,404,000	0	200,000
e.	2.5	10,250,000	10,506,300	0	250,000
f.	3.0	10,300,000	10,609,000	0	300,000

5. Provide annual county mandate relief increases for 1998 and 1999 at one of the following percentages. Set the county distribution and increase the county mandate relief appropriation as shown below.

		County Distribution		GPR Change to Bill	
		1998	1999	1997-98	1998-99
a.	0.5%	$20,259,800	$20,361,100	$0	$100,800
b.	1.0	20,360,600	20,564,200	0	201,600
c.	1.5	20,461,400	20,768,300	0	302,400
d.	2.0	20,562,200	20,973,400	0	403,200
e.	2.5	20,663,000	21,179,600	0	504,000
f.	3.0	20,763,800	21,386,700	0	604,800

6. Provide annual payments for municipal services increases for 1997-98 and 1998-99 at one of the following percentages. Increase the payments for municipal services appropriation and reestimate general fund revenue from agency chargebacks as shown below.

		Appropriation Level		GPR Change to Bill		Revenue Change to Bill	
		1997-98	1998-99	1997-98	1998-99	1997-98	1998-99
a.	0.5%	$16,912,900	$16,997,500	$84,100	$168,700	$38,100	$76,400
b.	1.0	16,997,100	17,167,100	168,300	338,300	76,200	153,200
c.	1.5	17,081,200	17,337,400	252,400	508,600	114,300	230,300
d.	2.0	17,165,400	17,508,700	336,600	679,900	152,400	307,800
e.	2.5	17,249,500	17,680,700	420,700	851,900	190,500	385,700
f.	3.0	17,333,700	17,853,700	504,900	1,024,900	228,600	464,000

Prepared by: Fred Ammerman

MO# Alt 2f

1 BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

AYE 4 NO 12 ABS 0

MO# Alt 2c

1 BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
2 COGGS	Y	N	A

AYE 5 NO 11 ABS

MO# Alt 6 C

2 BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
1 WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

AYE 6 NO 10 ABS ____

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Minimum and Maximum Payment Provisions (Shared Revenue -- Direct Aid Payments)

CURRENT LAW

Under the shared revenue formula, the minimum guarantee ensures that each local government receives a shared revenue payment that is equal to at least 95% of the prior year's payment, exclusive of public utility and county mandate relief aids. Thus, payments will not decline by more than 5% a year. Minimum guarantee payments are internally funded by a floating maximum growth limit. Entitlement amounts for a local government in excess of the maximum limit are "skimmed" off to provide revenues for minimum guarantee payments. The maximum growth limit is set at a level that generates the exact amount needed for minimum guarantee payments.

GOVERNOR

No provision.

DISCUSSION POINTS

1. The minimum guarantee component serves as a cushion to prevent large payment decreases from occurring in a short period of time. Without this cushion, year-to-year changes in property values, population and other variables can cause significant payment declines. Similarly, the maximum provision limits the size of payment increases.

2. Partially in response to modest shared revenue funding increases, the maximum allowable percentage increase has declined in recent years. Since 1994, the municipal and county distributions have been calculated under separate formulas so different maximum allowable percentage increases have occurred for municipalities and counties.

Year	Shared Revenue Funding Increase	Maximum Growth Percentage
Combined		
1990	3.50%	14.98%
1991	4.00	11.88
1992	1.95	8.09
1993	2.00	5.76
Municipal		
1994	1.54	3.71
1995	2.00	4.90
1996	0.00	2.09
1997	0.00	2.51*
County**		
1994	0.33	1.52
1995	0.00	2.32
1996	0.00	2.90
1997	0.00	3.19*

*Estimated.
**Excludes mandate relief payments, which are not included in minimum and maximum calculations.

3. SB 77 would maintain municipal and county shared revenue at the 1997 funding level for 1998 and thereafter. This would produce a maximum allowable growth rate of 2% to 3% annually for both the municipal and county distributions.

4. Over the 1990 to 1997 period, the funding requirement for minimum payments has increased from $20.8 million to an estimated $51.9 million. Payments to 64.2% of all local governments are now affected by either the minimum or maximum payment provision. This percentage is higher for counties (91.7%, or 66 of 72) than for municipalities (63.1%, or 1,168 of 1,850). The number affected by the maximum dropped in 1997, but those continuing to be affected lost more aid on average (up from $57,900 to $87,900).

Year	Minimum Funding (Millions)	Number on Minimum	Number on Maximum	Total
1990	$20.8	253	644	897
1991	19.7	391	551	942
1992	22.8	325	587	912
1993	26.9	370	575	945
1994	33.8	318	891	1,209
1995	38.5	389	748	1,137
1996	44.9	507	776	1,283
1997*	51.9	644	590	1,234

*Estimated.

5. The number of local governments affected by the minimum and maximum payment provisions, the amount of funding transferred between them and the maximum growth percentage are all affected by the size of shared revenue increases. If 3% annual increases had been provided in 1994 and each subsequent year, the number of minimum payment recipients in 1997 would be 487 (157 less than the actual number) and the number limited by the maximum growth provision would be 463 (127 less). The amount transferred between them would be $32.1 million ($19.8 million less). The maximum growth percentages would be 6.81% for municipalities and 8.63% for counties (4.30% and 5.44% higher, respectively).

6. The aidable revenues component of the shared revenue program accounts for over 80% of the total $950.6 million distribution for 1997. This component is based on the policy of tax base equalization. The goal of equalization is to ensure that if two communities have equal levels of per capita expenditures they will also have equal property tax rates. Equalization helps local governments with low tax base provide public services comparable to those governments with more tax base.

7. The minimum and maximum provisions are disequalizing components of the shared revenue formula since they reverse allocations under the aidable revenues formula. By providing additional aid or reducing aid, these provisions treat local governments differently than those unaffected by either provision.

8. Local governments having their payments reduced by the maximum growth provision are, in effect, being treated as if they have a higher tax base than they actually have. For example, Milwaukee County has an actual tax base of $33,088 per person. Based on this tax base, the aidable revenues formula indicates that the county should receive equalization aid of $54,528,801. However, the maximum growth provision reduces this amount by $6,606,617. This treats the county as if it had an effective tax base of $34,384 per person, or $1,296 per

person more than its actual tax base. In total, Milwaukee County is treated as if it has $1,249.5 million more in tax base than it actually has.

9. Local governments receiving minimum guarantee payments are, in effect, being treated as if they have a lower tax base than they actually have. For example, Dane County has an actual tax base of $49,989 per person. Based on this tax base, the aidable revenues formula indicates that the county should not receive an equalization aid payment (it has a tax base above the standard value of $43,787 per person). However, the minimum guarantee provision provides the county $3,253,090. This treats the county as if it had an effective tax base of $42,036 per person, or $7,953 per person less than its actual tax base. In total, Dane County is treated as if it has $3,166.7 million less in tax base than it actually has.

10. Although every local government affected by the minimum and maximum provisions is being treated as if its tax base is less or more, respectively, than in reality, there is a range of differences. The following table provides distributional information on this range of value differences.

Distribution of Differences Between Actual Value Per Person and Effective Value Per Person (Number of Governments)

Variance from Actual Tax Base	On Minimum (Effective Tax Base Below Actual)	On Maximum (Effective Tax Base Above Actual)
Zero to $2,500	321	286
$2,500 to $5,000	136	131
$5,000 to $7,500	64	101
$7,500 to $10,000	41	33
Over $10,000	82	39
TOTAL	644	590

11. Many local governments on these provisions are being treated as if their value per person is within $2,500 of its actual level. However, 187 local governments on the minimum provision are being treated as if their value per person is at least $5,000 less than in reality. Similarly, 173 local governments on the maximum provision are being treated as if their value per person is at least $5,000 more than in reality.

12. The current situation under the shared revenue program reflects a conflict between two goals, providing relatively stable payments and tax base equalization. Limiting payment declines has decreased the degree of equalization accomplished under the formula. This is in contrast to the general school aid formula, which allows large shifts in payments in order to maintain a higher degree of tax base equalization.

13. The level of equalization achieved under the aidable revenues formula was reduced when the minimum guarantee was increased from 90% to 95%, effective with payments made in 1986. One approach to bring both minimum guarantee recipients and those limited by the maximum growth provision closer to the results obtained by the equalization formula would be to lower the minimum guarantee back to 90%. For 1997, that action would have decreased the number of local governments affected by the minimum and maximum provisions from 1,234 to 997 (476 on the minimum provision and 521 on the maximum provision) and would have increased the maximum growth rates (from 2.51% to 4.26% for municipalities and from 3.19% to 6.77% for counties).

14. If the increasing level of funding redistributed through the minimum guarantee and maximum growth provisions is a concern, the formula could be modified to cap this redistribution at the 1997 level ($31 million for municipalities and $21 million for counties). If a cap had been in place in 1997 (based on the 1996 redistribution), the minimum guarantee would have dropped to 92.13% for municipalities and 90.54% for counties and the maximum growth limit would have increased to 3.58% for municipalities and 6.42% for counties. The number of local governments affected by these provisions would have dropped from 1,237 to 1,087 (542 on the minimum provision and 545 on the maximum provision).

15. Another approach that could be used to address the large number of local governments that are no longer receiving a payment based on the results of the equalization formula would be to fund minimum guarantee payments by a means other than the maximum growth provision. While this would not increase the degree of equalization for those governments on the minimum guarantee, it would bring those affected by the maximum growth provision back to an equalized aid payment.

16. A possible alternative method of funding minimum guarantee payments is to lower the standard value sufficiently to generate the needed funds within the shared revenue appropriation. This approach would have reduced the standard value for 1997 by an estimated $2,178 for municipalities and $3,745 for counties, which would have lowered payments to all aidable revenues recipients not on the minimum guarantee. This approach would result in equalized payments for all local governments not affected by the minimum guarantee.

17. It would also be possible to establish a lower bounds on the maximum growth percentage, with the remaining share of minimum guarantee payments being funded by reducing the standard value. For example, the maximum growth percentage could be guaranteed to be at least 5%. For 1997, this would have lowered the amount "skimmed" from $30.9 million to $13.6

million for municipalities and from $21.0 million to $10.1 million for counties and would have reduced the standard value by an estimated $1,124 for municipalities and $1,499 for counties.

18. Another alternative for counties would be to include county mandate relief payments in the calculation of minimum and maximum payments. These payments are made on a per capita basis to each county. Municipal per capita payments are included in the calculation of municipal minimum and maximum payments. For 1997, this change would have increased the county maximum growth percentage from 3.19% to 3.65% and would have decreased the amount transferred among counties from $21.0 million to $20.3 million.

ALTERNATIVES TO BILL

1. Establish the minimum guarantee at 90%, rather than 95%, of the prior year's shared revenue payment, exclusive of utility and mandate relief aids, effective with payments made in 1998.

2. Limit the amount redistributed through the minimum guarantee and maximum growth provisions to $31 million for municipalities and $21 million for counties, effective with payments made in 1998. Specify that the minimum guarantee percentages would be adjusted downward if the funds needed at a 95% guarantee exceed these limits.

3. Eliminate the maximum growth provision and fund minimum payments internally by lowering the standard value in the aidable revenues formula, effective with payments made in 1998.

4. Establish a guarantee that the maximum growth percentage can not be less than 5% and fund any additional amounts needed for minimum payments internally by lowering the standard value in the aidable revenues formula, effective with payments made in 1998.

5. Include county mandate relief payments in the computation of county minimum and maximum payments, effective with payments made in 1998.

6. Retain current law.

Prepared by: Fred Ammerman

MO# Alt 2

BURKE	Y	N	A
DECKER	Y	N	A
1 GEORGE	Y	N	A
JAUCH	Y	N	A
2 WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

AYE 8 NO 8 ABS ____

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Payments for Municipal Services -- Garbage and Trash Disposal and Collection (Shared Revenue -- Direct Aid Payments)

CURRENT LAW

The payments for municipal services program (PMS) provides state aid payments to reimburse municipalities for all or a portion of the property tax-supported expenses incurred in providing services to state facilities, which are exempt from property taxation. Payments are made for fire and police protection, garbage and trash disposal and collection, and other approved direct services. The Department of Administration administers the program. Base funding of $16,828,800 GPR is provided for the program.

GOVERNOR

No provision.

DISCUSSION POINTS

1. The purpose of the PMS program is to aid in the reduction of local property taxes by making an equitable contribution toward the cost of certain municipally provided services.

2. The estimated tax-supported cost of providing services to state buildings is determined through a formula that produces an entitlement for each affected municipality. If the state aid appropriation is not sufficient to fund total municipal entitlements, payments are

prorated by a percentage equal to the appropriation divided by total entitlements. Funding equaled entitlements in 1982, but has since ranged from 94.8% (1990-91) to 84.4% (1995-96).

3. Funding for the program has been set at $16,828,800 annually since 1994-95. Since then, entitlements have increased from $19,353,228 (1994-95) to $19,840,991 (1996-97), or by 2.5%. During that period, the proration factor has declined from 87.0% to 84.8%. Under the bill, program funding would remain at $16,828,800 annually. At that funding level, the proration factor is estimated to decline to 81% in 1997-98 and 78% in 1998-99.

4. The following table reports entitlement amounts and the number of municipalities receiving entitlements by service category for 1996-97. Fire services comprise the largest share of total entitlements. All 251 municipalities receiving a 1996-97 aid payment generated an entitlement for fire services.

	1996-97 Entitlements	Percent of Total	Number of Municipalities
Fire	$9,714,572	49.0%	251
Police	9,471,691	47.7	139
Solid Waste	654,728	3.3	49
State Total	$19,840,991	100.0%	251

5. Municipalities fund police and fire service costs with the property tax and other general revenues, rather than through service charges to individual properties. Recovering the costs of those services to state facilities through service charges is not a viable option for municipalities. However, state law authorizes municipalities to fund solid waste services through service fees or charges. Over half of all municipalities providing solid waste services impose a fee or charge for the service, although some municipalities fund those activities entirely through the property tax. State facilities are not exempt from those fees or charges. The statutes direct state agencies to pay any fees imposed for services directly provided by municipalities, including garbage and trash disposal and collection. These payments are made from the affected agency's appropriations, rather than the PMS appropriation.

6. Due to certain municipal-specific conditions, the entitlement formula may not accurately calculate the tax-supported cost of providing services to state buildings in all instances. In recognition, state law authorizes the cost of those services to be negotiated and entitlements adjusted accordingly.

7. Solid waste service entitlements for 1996 were adjusted for five municipalities under the provision allowing entitlements to be negotiated. Each of the municipalities contains a University of Wisconsin system campus. None of the municipalities directly provide solid

waste services to the campuses or to most commercial buildings. In four of the five municipalities, private solid waste disposal firms provide the service and bill the municipalities. In the fifth municipality, university vehicles haul the waste to the county landfill, and the county bills the municipality for the tipping fees and the required vehicle permits. In each instance, the negotiated entitlement equaled the service costs billed to the municipality. The negotiated entitlements for the five municipalities totaled $293,152 in 1996-97.

8. In 1996-97, the largest solid waste entitlements were generated by the Cities of Oshkosh ($142,228) and Stevens Point ($110,540). These entitlements were generated through the entitlement formula, rather than through the negotiation process. Officials in Oshkosh report that collection services are provided to small businesses, including some state facilities, but properties that generate more than four cubic yards of waste per week must arrange and pay for that service. In Stevens Point, collection services are not provided to business property. However, both cities have agreed to pay for solid waste services to university facilities because those costs are reimbursed through the PMS program. Neither city directly provides solid waste services to the facilities, but contracts with a third party for the services.

9. Among the seven identified municipalities that incur solid waste costs for university facilities, entitlements for garbage and trash disposal and collection totaled $545,920 in 1996-97. Those entitlements comprise 83% of the $654,728 in total solid waste entitlements for 1996-97. In the absence of the PMS program, it does not appear that any of the seven municipalities would provide solid waste services to university facilities or incur the resulting costs for those services. Therefore, making payments for the solid waste services does not aid in the reduction of property taxes and contribute to the program's purpose.

10. By using the PMS program to pay for solid waste services that otherwise would likely be billed directly to the affected campuses, the ability of the PMS program to fund entitlements for police and fire protection is diminished. For example, excluding solid waste services from the entitlement formula in 1996-97 would have increased the proration factor from 84.8% to 87.7%.

11. If solid waste services are removed from coverage under the program, municipal solid waste service costs through 1997 should continue to be recognized under the entitlement formula or through negotiation. Otherwise, the municipalities would bear this year's cost of solid waste services to state buildings. Removing solid waste costs effective with 1998 services would allow municipalities to adopt service fees or direct the affected university campuses to make arrangements with private service providers.

ALTERNATIVES TO BILL

1. Remove garbage and trash disposal and collection from the municipal services eligible for reimbursement under the PMS aid program, effective with municipal costs reported for 1998.

2. Remove garbage and trash disposal and collection from the municipal services eligible for reimbursement under the PMS aid program unless the municipality provides the same service to business properties, effective with municipal costs reported for 1998.

3. Retain current law.

Prepared by: Rick Olin

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Payments for Municipal Services -- Agency Chargebacks (Shared Revenue -- Direct Aid Payments)

GOVERNOR

Estimate GPR-Earned from agency chargebacks at $7,239,100 annually. These amounts are equal to the amount estimated for 1996-97 under 1995 Act 27.

MODIFICATION TO BILL

Reestimate the GPR-Earned amounts at $7,618,800 annually for 1997-98 and 1998-99.

Modification	GPR
1997-99 REVENUE (Change to Bill)	$759,400

Explanation: The actual GPR-Earned amount for 1996-97 equals $7,618,841, or $379,741 more than the amount estimated in 1995 Act 27. Because the proposed PMS aid level of $16,828,800 annually is unchanged from 1996-97, agency chargebacks should be similar to the amount generated in 1996-97. GPR-Earned is generated through a procedure where program revenue (PR), program revenue-service (PR-S) and segregated revenue (SEG) appropriations are charged for municipal services to facilities funded through these appropriations. Aid payments to municipalities are made from the state's general fund through a general purpose revenue appropriation. However, after aid payments are made, DOA transfers amounts from the PR, PR-S and SEG appropriations that fund state facilities to the general fund. As a result, the general fund is charged only for services to facilities associated with programs financed through the general fund. The 1997-98 and 1998-99 reestimates are equal to the actual GPR-Earned amount for 1996-97.

Prepared by: Rick Olin

MO# Modifications

1 BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
2 JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

AYE 16 NO 0 ABS ____